



Borrow With Confidence: Know the True Cost of Your Loan

Steer your major purchase in the right direction. When you finance a car, it's important to understand how interest rates and term lengths affect the overall cost of a loan.



A \$20,000 loan with 5 percent interest rate:

60-month term

\$377.42 a month

VS.



A \$20,000 loan with 5 percent interest rate:

48-month term

\$460.59 a month

Though this payment will be about \$83 a month more, **you'll save \$537 over the length of the loan.**

The principal decreases more slowly on loans with longer terms, and borrowers face higher balances throughout the life of the loan.



A \$20,000 loan with a 60-month term and 5 percent interest rate has a **balance of \$8,603 at the end of year three.**



A \$20,000 loan with a 48-month term and a 5 percent interest rate has a **balance of \$5,380 at the end of year three.**



Save money

By choosing a shorter loan term, you'll save \$537 in total interest! You'll pay less in total interest and save money in the long run.

Consider some of these options with your available money, since you'll have saved hundreds in interest once the 48-month loan is paid off:

Keep making the monthly payments to a savings account. Those savings add up to:



Make payments to a retirement or investment account. When you make payments for one, five or 10 years, after 30 years, your money grows significantly:



* assumes a 5% return



Does your bank, credit union or another lender have a better deal?

- ➔ Get a loan pre-approval before you shop.
- ➔ Use the pre-approval to negotiate a better rate with the dealer, allowing you to pay less interest over the length of the loan.

Don't rush your decision.

Personal financial managers and counselors are available to help you navigate your major purchase. Contact your nearest Family Center to learn more.



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